

TESTIMONY  
of  
BOYCE SPINELLI  
before the  
PUBLIC UTILITIES COMMISSION

FOR AN  
ABBREVIATED FILING

for  
PROVIDENCE WATER

June 2002

**PROVIDENCE WATER SUPPLY BOARD  
TESTIMONY OF  
BOYCE SPINELLI**

1     **Q.     Please state your full name and title?**

2     A.     Boyce Spinelli, Deputy General Manager - Administration  
3             of the Providence Water Supply Board (Providence Water).  
4

5     **Q.     How long have you held the position of Deputy General**  
6             **Manager of the Agency?**

7     A.     I have held this position since January, 2001. Prior to  
8             that I was Director of Administration for the City of  
9             Providence. From September, 1992 to July, 1999, I was  
10            Finance Director for the City of Providence and was an  
11            ex-officio member of the Providence Water Supply Board.  
12

13    **Q.     Would you please state your education, background and**  
14             **professional associations?**

15    A.     I graduated from LeMoyne College in Syracuse, New York  
16             with a Bachelor of Science in Economics, and completed  
17             two years of graduate work in Economics at Washington  
18             State University. I have worked in the private sector as  
19             well as serving as finance director for three cities in  
20             Virginia, Connecticut, and Rhode Island.  
21

22    **Q.     Have you testified before a regulatory agency with**  
23             **respect to operating matters or rates either in your**  
24             **current position or in your previous positions?**

25    A.     I have testified before the Rhode Island PUC on several  
26             occasions in my capacity as finance director for the City  
27             of Providence.  
28

29    **Q.     What is the purpose of this filing?**

30    A.     Providence Water is seeking an abbreviated filing to

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1           raise rates to cover known and measurable increases in  
2           costs.

3

4           **Q.   Why not incorporate these increases in a full filing?**

5           A.   The categories of cost increases addressed in this filing  
6           are all eligible for an abbreviated filing.

7

8           An abbreviated filing is quicker, less complex, and,  
9           because Providence Water can do it in house, it is less  
10          expensive.

11

12          **Q.   What will the abbreviated filing increase generally**  
13          **cover?**

14          A.   The majority of the increase is for known and measurable  
15          changes for salaries and wages, employee benefits, and  
16          property taxes. The balance of the increase is for  
17          sludge maintenance of our lagoons as described in Paul  
18          Gadoury's testimony. There is no requested increase in  
19          restricted funding at this time.

20

21          Our last general rate order was issued for calendar year  
22          2001. Since that time, costs have increased and while  
23          Providence Water has been able to avoid any additional  
24          customer impact by absorbing these increases, we can no  
25          longer continue to do so.

26

27          **Q.   Who prepared the documentation in support of this filing?**

28          A.   Providence Water staff has prepared the calculations and  
29          testimony necessary for this filing. Jeanne Bondarevskis  
30          in the capacity of Finance Director has coordinated the  
31          efforts, and will be testifying on behalf of Providence

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1 Water. In addition, Paul Gadoury, Director of  
2 Engineering, Paul Titzmann, Director of Special Projects,  
3 and Joseph Spremulli, Director of Support Services, will  
4 also be testifying.  
5

6 **Q. When is the proposed rate relief needed to take effect?**

7 A. Providence Water is requesting an effective date of July  
8 31, 2002. This allows for the thirty days required by  
9 law. The rate year used in the filing is calendar year  
10 2003. We understand that the Commission will probably  
11 issue a suspension to allow for investigation and a  
12 hearing; however, a decision that would allow for the new  
13 rates to take effect on January 1, 2003, would be  
14 appreciated.  
15

16 **Q. Are there any other items being addressed in this filing?**

17 A. Yes. Providence Water is planning to use some of the  
18 available fund balance in its insurance restricted fund  
19 (which stands at about \$2,837,159) to supplement the  
20 reduced insurance amount requested in the proposed water  
21 rates contained in the abbreviated filing.  
22

23 Although the projected insurance expenses for FY 2003  
24 total about \$1.2 million, Providence Water is requesting  
25 that \$359,000 be provided by rates, with the remainder  
26 being provided by the restricted insurance fund balance.  
27

28 Using this approach should provide over two years of rate  
29 relief to consumers before Providence Water would need to  
30 request that full insurance funding be provided by rates.  
31

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1     **Q.   What is the situation with respect to the increase in the**  
2     **cost for property taxes?**

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4     **A.**   The Town of Scituate recently completed a town-wide  
5            reevaluation of property values effective December 31,  
6            2000. As a result, Providence Water's property tax bill  
7            from Scituate for the period January 1, 2001 to December  
8            31, 2001, increased by over \$900,000.

9  
10           Providence Water applied to the Town of Scituate to have  
11           9,088 acres of forest land classified as forest land for  
12           tax purposes consistent with the forest land certificate  
13           and designation received by Providence Water from the  
14           Rhode Island Department of Environmental Management  
15           (DEM). The Town of Scituate denied Providence Water's  
16           application to classify the 9,088 acres as forest land  
17           for tax purposes. Providence Water appealed the denial  
18           to the Town of Scituate Tax Review Board. The Board has  
19           not yet rendered a decision. If not successful with the  
20           Tax Review Board appeal, Providence Water will take the  
21           matter to the Rhode Island Superior Court.

22  
23           In addition to appealing the denial of the application  
24           for forest land classification, Providence Water has also  
25           appealed the valuation of all taxable property located in  
26           the Town of Scituate. It is Providence Water's assertion  
27           that even if the courts were to rule against the forest  
28           land classification, the property in question is grossly  
29           overvalued, even without the benefit of the land being  
30           classified as forest land. While the appeals are  
31           pending, Providence Water is required to pay the full

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1 amount of the tax bill.

2  
3 **Q. What is the major category of increased fringe benefit**  
4 **cost, and why?**

5  
6 A. The major category of increased fringe benefit cost is  
7 the contribution by Providence Water to the Employees  
8 Retirement System of the City of Providence. There is an  
9 increase of \$1,372,378, from \$550,000 to \$1,922,378.

10  
11 The reason for the increase is that in fiscal years ended  
12 June 30, 2001, and June 30, 2002, it was necessary for  
13 Providence Water to substantially lower the actuarially  
14 recommended contribution into the Retirement System.

15  
16 For the three year period, FY 99-01, the City of  
17 Providence and the City of Providence School Department  
18 contributed 56.35% of the actuarially calculated amount  
19 of \$101,331,000, or \$57,104,423. Providence Water, on  
20 the other hand, was contributing 100% of its actuarially  
21 recommended contribution.

22  
23 As a result, Providence Water was paying more than its  
24 fair share. There is no advantage to Providence Water in  
25 doing so, as it receives no extra credit in the  
26 Retirement System for paying more than its fair share,  
27 nor does this reduce future required contributions.  
28 Additionally, Providence Water participants in the  
29 Retirement System are not entitled to preferential  
30 treatment vis-a-vis City and School participants in the  
31 event of a system-wide funding problem, despite paying

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1       100% of its actuarial calculation. Finally, paying more  
2       than its fair share is tantamount to subsidizing the  
3       general fund of the City of Providence, which is clearly  
4       prohibited.

5  
6       To bring its retirement contribution in line with the  
7       City and School Department, Providence Water lowered its  
8       FY 2001 contribution from the budgeted \$2.1 million to  
9       \$600,000. In FY 2002, Providence Water contributed  
10      \$500,000. As a result of these reduced contributions for  
11      FY 2001 and FY 2002, Providence Water is now on the same  
12      payment basis as the City of Providence and the School  
13      Department. On a going-forward basis, Providence Water  
14      will always contribute the exact same percentage of the  
15      actuarial calculation as does the City of Providence and  
16      the School Department. In FY 2003, the City and the  
17      School Department plan to contribute 80% of the actuarial  
18      amount, gradually phasing in to 100%. Providence Water  
19      will also contribute 80%, which amounts to the \$1,922,387  
20      requested in the filing.

21  
22      **Q. Does this conclude your testimony?**

      A. Yes.